NOI-2008-0003

FILED WITH
Executive Secretary

November 17, 2011

IOWA UTILITIES BOARD

MISSOURI RIVER
ENERGY SERVICES®

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November 17, 2011

Ms. Joan Conrad, Executive Secretary
Iowa Utilities Board
1375 East Court Avenue, Room 69
Des Moines, IA 50319-0069

Re: Comments of Missouri River Energy Services
Docket No. NOI-2008-0003

Dear Ms. Conrad:

Enclosed for filing are the Comments of Missouri River Energy Services in the above referenced docket.

If you have any questions, please contact me at 605.338.4042 or by e-mail at tasha.altmann@mrenergy.com.

Sincerely,

/s/ Tasha Altmann
Tasha Altmann, CP
Certified Paralegal
Legal

Enc.
c: service list

STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE: PURPA STANDARDS IN THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007	DOCKET NO. NOI-2008-0003

COMMENTS OF MISSOURI RIVER ENERGY SERVICES

Missouri Basin Municipal Power Agency, d/b/a Missouri River Energy Services ("MRES"), provides these comments in response to the request of the Iowa Utilities Board (the "Board") in its Order Soliciting Comments, dated October 14, 2011, ("Order"). In the Order, the Board solicited new input regarding smart grid developments and requested "comments on whether it would be appropriate to continue, modify, or withdraw the temporary prohibition on aggregators of retail customers ("ARCs") operating in Iowa." MRES provides the following comments regarding the operation of ARCs in Iowa.

MRES is a not-for-profit joint action agency organized under Chapter 28E of the Code of Iowa. MRES membership is comprised of 61 municipalities located in Iowa, Minnesota, North Dakota, and South Dakota. MRES has 19 Iowa members, all of which own and operate municipal electric utilities that provide electric service to Iowa consumers.

MRES believes ARCs should not be permitted to operate in Iowa. Permitting ARCs to operate in MRES member communities in Iowa would reduce the ability of MRES to provide efficient services to its members, causing potentially significant disruptive effects on the demand response efforts of MRES and its members. In recent years, MRES has expanded its demand-side management programs to take an active role in providing members with energy efficiency

and conservation programs to help members' retail customers benefit from reducing or managing their loads in a coordinated manner.

MRES and its members continue to make substantial investments in energy efficiency, through the Bright Energy Solutions® (BES) program. During calendar year 2010, MRES paid more than $1.8 million in BES rebates to its members' businesses and homeowners for lighting upgrades, ENERGY STAR® products, custom projects, and more. As a result, MRES and its members achieved demand savings of 5.25 megawatts, and energy savings of 26,494,210 kilowatt-hours in 2010.

Building on that success, MRES has also developed a Coordinated Demand Response (CDR) program. The CDR program is designed to allow MRES to coordinate a custom demand response program strategy for each participating member utility and to position MRES and its members for potential Smart Grid opportunities in the future. The CDR program is expected to present cost savings for members, including lower demand charges, shared software and hardware costs, group pricing, and shared expertise and labor.

It is important to the effectiveness of these efforts for MRES members to maintain their utility's local control over demand response. It would be harmful to the demand response of MRES and its members, and the collective interests of MRES and its members, as load-serving entities with an obligation to serve at retail, and the members' retail customers to permit any entity other than MRES or the member itself to aggregate demand response on behalf of its retail customers.

Even if the Board permits ARCs to operate in Iowa, MRES and its members would need to authorize operation of ARCs in MRES member cities before an ARC would be permitted to aggregate demand response on behalf of the retail customers located within the service area of and/or served by the MRES member. Under the Federal Energy Regulatory Commission (FERC) rules adopted in Orders 719, 719-A, and 719-B, the relevant electric retail regulatory authority

(RERRA) can prevent demand response bids directly into the market by ARCs.[1] The Board of Directors of MRES, as the RERRA for MRES, has adopted a policy providing that only MRES or its authorized designee may bid demand response into the market on behalf of a retail customer of an MRES member.

Lastly, the business model of an ARC is built around operating to reduce demand when market prices are high, without taking into consideration the environment. This maximizes demand response based on market prices, not resource needs. In contrast, MRES operates load management when market prices are high and MRES generation resources are limited. Reducing the amount of generation that MRES would need to add to the system saves MRES members and their retail customers from having to pay additional costs and reduces the impact that new generation would have on the environment.

MRES appreciates this opportunity to provide comments regarding the operation of ARCs in Iowa and requests that the Board consider the comments set forth herein.

Respectfully submitted,

MISSOURI RIVER ENERGY SERVICES

By: */s/ Derek Bertsch*

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[1]*See Order 719* at P 129–64 and *Order 719-A* at P 17–71. ARCs cannot aggregate the demand of retail customers for utilities that distribute 4 million MWh or less unless the relevant electric retail regulatory authority permits such action. 18 C.F.R. § 35.28(g)(1)(iii). FERC defined the term "relevant electric retail regulatory authority" to mean "the entity that establishes the retail electric prices and any retail competition policies for customers, such as the city council for a municipal utility, the governing board of a cooperative utility, or the state public utility commission." Order No. 719, at P 158.